

Meeting Report
Budget Review Meeting
Saturday, November 13, 2010
Penn Room

Attending: J. Waltman, D. Sterner, F. Acosta, D. Reed, M. Goodman-Hinnershitz, L. Kelleher, D. Cituk, C. Younger, C. Geffken, T. McMahon, F. Denbowski

Mr. Acosta, Finance Chair, called the meeting to order at approximately 10:10 a.m.

Property Tax Billing & Collection

Mr. Geffken distributed a summary sheet of the County Treasurer's proposal and a comparison of the proposals submitted by Portnoff and the County Treasurer. He explained the information provided.

Ms. Kelleher inquired why the City would not prepare a billing and collection RFP to determine the optimal billing and collection service. Mr. Younger stated that the City is able to use the County via statute and an RFP is unnecessary.

Ms. Goodman-Hinnershitz stated that the benefits of both collection approaches must be weighed and a decision made.

Mr. Cituk inquired if the County Treasurer would be willing to eliminate the past due fund owed by the City (5% of delinquent collections annually). He stated that this fee is due no matter if the County is used for collection purposes or not.

Ms. Reed expressed the belief that the collection rates are comparable and that the County should be used as it is a local business.

Mr. McMahon agreed that the County should perform the tax billing and collection to remove the perception people have regarding the dysfunctional relationship between the City and County. He expressed his belief in the need to work together. He suggested that Mr. Younger speak with Mr. Georgeadis, Solicitor to the Tax Claim Bureau, regarding forgiving the past due money.

Mr. Sterner expressed the belief that the City should find the best tax collection and billing approach. He noted that the City stopped using the County years ago due to their poor performance and delayed revenue generation. He noted that while the Portnoff collection fees are more severe they are stopped after the taxpayer makes contact with Portnoff. He added that the dramatic fees should provide incentive for people to pay on time.

Mr. Geffken noted the problematic performance of Linebarger for EIT, Per Capita, etc. He stated that the City will be working to break the contract and find another provider. He noted that Act 32 requires all municipalities within a County to use one EIT collector. He stated that the City will be changing to Berks EIT this year. He reminded everyone that this first year the City will only collect revenue for three (3) quarters.

Mr. Waltman agreed with Mr. Sterner's statement regarding using the County for billing and collection only if their collection approach is faster and better than other providers. He noted that tax collection is not rocket science. He stated that he is continually disturbed that the City refuses to see collection of delinquent taxes as a priority. He stated that this lack of collection has had a dramatic impact on the City's ability to sustain itself financially. He suggested measuring delinquent tax collection and reacting if the collection mechanism is under performing.

Ms. Goodman-Hinnershitz agreed with the need to measure collection and other activities.

Mr. McMahon suggested entering into a one (1) year agreement with the County Treasurer. Ms. Kelleher and Mr. Geffken stated that a three (3) year agreement would be needed as the County Treasurer's process takes 21-36 months. Mr. Geffken added that the County Treasurer could also begin billing for trash and recycling.

Mr. Sterner suggested adding performance measurements into the contract and requiring a certain level of performance within a period of time. He noted the need for the contract to contain language allowing the contract to be voided if the City finds under performance. He also suggested including language to allow the City to use a 3rd Party collector between the time of delinquency and the time of the Upset Sale.

Ms. Kelleher stated that the City began meeting with the Tax Claim Bureau around 1998-99 to discuss their poor collection practices. She stated that it took about three (3) years to begin using Portnoff. She suggested contacting Boyertown and Wyomissing to find out why they no longer use the County for collections, if they pay the 5% fee and how the fee is calculated.

Mr. Waltman suggested using Mr. Sterner's approach and moving away from the County if collections under perform. He noted that the City is in no position to risk quick revenue production.

Mr. Younger was instructed to contact Mr. Georgeadis to discuss contract terms as stated herein.

Big Springs

Mr. McMahon stated that Mr. Geffken was instructed to execute the Big Springs agreement amendment. He stated that he personally negotiated the terms for the Reading School District improvement at Northwest Elementary and decided to eliminate the City's right of first refusal after discussing the issue with Mr. Younger and Ms. Mayfield. He noted that the Weavers are no longer involved in this project.

Ms. Reed noted that the Weavers are still the land owner and that the title has not transferred to Newco.

Mr. Waltman stated that the City lost a valuable opportunity to select an appropriate land use for this parcel. Ms. Reed agreed and added that Greater Berks Development didn't consider the impact this use would have on this neighborhood.

Mr. McMahon explained his belief that the right of first refusal was not worth retaining if these terms would slow or stop the project. He stated that he has no interest in taking ownership of a half completed project.

Ms. Reed, Mr. Sterner and Mr. Waltman noted that the project has not moved forward for years.

Mr. Waltman suggested that the old agreement should have transferred to Newco with no modification to the original terms. He again expressed frustration that the City has given up its control of the future of this property.

Other Budget Matters

Ms. Reed suggested exploring the sale of Channel 13 (BCTV), Channel 99 (MAC) and Channel 21 (Education) to Comcast. She stated that the Franchise Agreement makes the City the owner of these channels. She stated that selling or leasing these channels to Comcast could provide a new revenue resource to the City.

Mr. Denbowski stated that the new Franchise Agreement and contract with BCTV guarantees an escalating annual fee to BCTV. He stated that the Mayor negotiated a 60% reduction to this annual fee last year. He stated that the contract runs until 2014.

Mr. Acosta inquired about the length of the work day for City employees. Mr. Geffken stated that the majority of City workers work a seven (7) hour day with a one (1) hour unpaid lunch. However, 24-7 service operations utilize an eight (8) hour work day with a one (1) hour paid lunch.

Mr. McMahon stated that the proposed budget plugs the 2011 holes; however, the 2012 budget will need to plug an estimated \$7-8M gap. He expressed concern about the City's ability to plug the projected 2012 gap.

Mr. Waltman stated that the Act 47 Recovery Plan contains \$2M worth of initiatives that the Administration has not and will not implement during 2010 and 2011. He suggested amending the plan so a true picture of the financial gaps can be obtained. He inquired why PFM has not stepped in and required the Administration to act or to amend the Plan and adjust the financial projections. He noted the \$5M miscue in EIT revenue.

Mr. Waltman reminded everyone that the Revenue section of the Plan requires no property tax increase until 2012 due to the addition of increased contributions from RAWA and RPA. However, Council is now asked to consider a 20% increase this year. He stated that if the Mayor's projection is correct Council will need to consider a 10% increase again next year. He stated that the City taxpayers cannot tolerate these increases in property taxes and EIT. He suggested that the Administration implement the approximate 21 initiatives to prevent the City's further collapse.

Mr. McMahon stated that a \$5M gap will require a 35% property tax increase.

Ms. Goodman-Hinnershitz agreed with the need for a recalculation of the Act 47 initiatives along with an evaluation of core public services.

Mr. Acosta agreed that the property tax increases were offset until 2014 by increased assistance from RAWA and RPA. He questioned the continued viability of those contributions.

Ms. Reed suggested deeper budget cuts to reduce the need for a property tax increase. She stated that the City will end up at the same place next year if hard decisions are not made.

Mr. Waltman suggested that the \$5M miscue in EIT collection is only a drop in the bucket after considering the City's mismanagement of adequate delinquent collections.

Mr. McMahon stated that Harrisburg has applied for Act 47 and that 40% of all Pennsylvania municipalities are now in Act 47. He stated that Public Safety expenditures are 60% of the City's budget; however, reducing manpower in this area is risky. He described his work to obtain changes in State legislation to aid cities in Pennsylvania.

Mr. Waltman noted his appreciation for Mr. McMahon's state-wide efforts but suggested that Mr. McMahon instead put his focus on local leadership and the proper collection of all City taxes.

Mr. Sterner agreed that without improved delinquent collection the City will never be whole.

Mr. Waltman stated that the severe lack of local leadership and severe mismanagement has created this gaping financial hole.

Mr. Acosta noted that the average taxpayer wants improved, consistent city services without change in taxes.

Mr. Acosta and Mr. Waltman will work to prepare a list of additional tweaks to revenues and expenditures to be considered by the body at Monday's session. Ms. Goodman-Hinnershitz suggested that all Councilors prepare a list of adjustments.

The meeting adjourned at approximately 12:00 p.m.

Respectfully submitted by Linda A. Kelleher CMC, City Clerk